83-986

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No.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1983

GRAND JEWELS, INC.,

Petitioner,

— v. —

MONTRES ROLEX, S.A.,
DENNIS SNYDER, Regional Commissioner,
U.S. Customs Service and
UNITED STATES CUSTOMS SERVICE,

Respondents.

PETITION FOR WRIT OF CERTIORARI UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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QUESTIONS PRESENTED FOR REVIEW

Rule 21.1(a)

1. Is the statutory scheme of 19 USC §1526(e) which applies the Lanham Act, 15 USC §1127, and which provides for seizure and mandatory forfeiture of imported goods so vague or indefinite as to violate the due process clause of the Fifth Amendment of the United States Constitution?

2. Was the Court of Appeals in error when it affirmed that that the crown mark on the imported goods was a "counterfeit" subjecting the goods to manadatory forfeiture under 19 USC §1526(e)?

3. Did Rolex have standing under Article III of the Constitution to bring the action before the District Court?

4. Did the Court of Appeals commit error when it concluded that the Customs

Service interpretation and application of 19 USC §1526(e) finding the mark not counterfeit, was arbitrary, capricious, and an abuse of discretion, or otherwise not in accordance with law?

TABLE OF CONTENTS

PETITION	PAGE No.
QUESTIONS PRESENTED FOR REVIEW	1
TABLE OF CONTENTS	3.0
TABLE OF AUTHORITIES	3.1
STATEMENT OF THE GROUNDS FOR JURISDICTION OF THIS COURT	4
CITATIONS OF CONSTITUTIONAL PROVISIONS, AND STATUTES	5
STATEMENT OF THE FACTS	8
REASONS FOR ALLOWANCE OF THE WRIT	16
APPENDIX	
COURT OF APPEALS DECISION	A 1
DISTRICT COURT DECISION	A 22
CUSTOMS SERVICE LETTER OF JULY 22, 1981	A 34
CUSTOMS SERVICE LETTER OF JULY 29, 1981	A 36
CUSTOMS SERVICE LETTER OF FEBRUARY 1, 1982	A 39
CUSTOMS SERVICE LETTER OF FEBRUARY 4, 1982	A 51

TABLE OF AUTHORITIES
(With Page References)

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STATUTES:
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19 USC §1526(e) Pages 1,2,5,9,14,15,A2 A3,A4,A7,A8,A11,A12 A13,A14,A15,A17,A18 A19,A20,A21,A25,A26 A27,A29,A32,A33,A42

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28 USC §1292(a)(1) 13

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In re Amazonas (C.S.D. 80-39, July 17, 1979) A17

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Administrative Law Treatise, K. Davis §§ 23:8-23:14 (2nd ed. 1983) A12

Commercial Counterfeiting and the Proposed Trademark Counterfeiting Act, Rakoff & Wolf, 20 Am Crim L. Rev. 145 (1982) A9

Fed.R.Civ.P. 65 (a)(2) Pages 12,A6

A Program To Combat International Commercial Counterfeiting Walker, 70 Trade-Mark Rep. 117 (1980) A14

United States Constitution, Fifth Amendment. 5

STATEMENT OF THE GROUNDS FOR JURISDICTION OF THIS COURT

Rule 21.1(e); 28.1

1. The date of the Judgment to be reviewed is September 14, 1983 and was rendered by the U.S.Court of Appeals for the Second Circuit, Docket No. 82-6168.

2. The Petitioner has no subsidiaries or partially owned affiliates.

3. There have been no rehearings or extensions of time granted.

4. The statutory provision confering on this Court jurisdiction to review the judgment in question by Writ of Certiorari is 28 USC 1254 which states, in part,

> Cases in the courts of appeals may be reviewed by the Supreme Court by the following methods:
>
> (1) by writ of certiorari granted upon the petition of any party to any civil or criminal case before or after rendition of judgment or decree;...

CITATIONS OF CONSTITUTIONAL PROVISIONS, AND STATUTES

Rule 21.1(f)

1. The Fifth Amendment to the Constitution of the United States reads in part as follows:

> No person shall be...deprived of... property, without due process of law;...

2. 19 USC §1526(e) provides in part as follows:

> Any such merchandise [manufactured abroad] bearing a counterfeit mark (within the meaning of section 45 of the Act of July 5, 1946) (commonly referred to as Landham Act, 60 STAT. 427; 15 USC 1127) imported into the United States in violation of the provisions of section 42 of the Act of July 5, 1946 (60 Stat. 440; 15 USC 1124), shall be seized and in the absence of the written consent of the trademark owner, forfeited for violations of the Customs Laws. Upon seizure of such merchandise, the Secretary [of the Treasury] shall notify the owner of the trademark, and shall, after forfeiture, obliterate the trademark where feasible and dispose of the goods seized...

3. 15 USC §1124 provides, in part as follows:

> ...no article of imported merchandise

which shall copy or simulate...a trade-mark registered in accordance with the provisions of this Act [15 USC §§ 1051 et seq.]...shall be admitted to entry at any Customhouse of the United States;...

4. 15 USC §1127 provides in part,

In the construction of this Act, unless the contrary is plainly apparent from the context--

* * * *

The term "trade-mark" includes any word, name, symbol or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others.

* * * *

The term "mark" includes any trade-mark, ...entitled to registration under this Act whether registered or not.

* * * *

The term "colorable imitation" includes any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive.

* * * *

A "counterfeit" is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.

* * * *

5. 19 CFR 133.21 states in part:

(a) Articles of foreign or domestic manufacture bearing a mark or name copying or simulating a recorded trademark or trade name shall be denied

entry and are subject to forfeiture as prohibited importations. A "copying or simulating" mark or name is an actual counterfeit of the recorded mark or name or is one which so resembles it as to be likely to cause the public to associate the copying or simulating mark with the recorded mark or name.

(b) Foreign-made articles bearing a trademark identical with the one owned and recorded by a citizen of the United States or a corporation or association created or organized within the United Staes are subject to seizure and forfeiture as prohibited importations.

(c) The restrictions set forth in paragraphs (a) and (b) of this section do not apply when:

* * * *

(4) The objectionable mark is removed or obliterated prior to importation ... for example by:

(i) Grinding off ...

* * * *

(6) The recordant gives written consent to an importation of articles otherwise subject to the restrictions set forth in paragraphs (a) and (b) of this section,...

* * * *

(d) The provisions of paragraph (c)(4) of this section are not applicable to articles bearing counterfeit trademarks at the time of importation (see § 133.24).

6. 19 CFR 133.23a (a) states:

A "counterfeit trademark" is a spurious trademark which is identical with, or substantially indistinguishable from, a registered trademark.

STATEMENT OF THE FACTS

Rule 21.1(g),(i)

In early May 1981, a Customs import specialist at J.F.K. International Airport in New York detained a shipment of approximately 100 18-karat solid gold watch bracelets, each bearing a fan or crown-like design on the clasp. The bracelets were destined for Grand Jewels, Inc., a New York City retailer. Suspecting a possible violation of Rolex's trademark rights, the specialist forwarded samples of the bracelets to Joseph J. DeNardo, Assistant Chief of Customs' Imports Compliance Branch. Following standard operating procedure, DeNardo compared the designs on the bracelets' clasps with the drawing of the Rolex trademark on the registration certificate Rolex had filed with Customs. By letter dated May 12, 1981, DeNardo

advised the importer that:

> Examination of two samples from the shipment reveals that they both bear a crown design which is considered to infringe on the registered and recorded "Crown Design" trademark owned by Montres Rolex S.A. in violation of the Trademark Law (15 U.S.C.§ 1124).
>
> Accordingly, this merchandise is a prohibited importation and subject to seizure and forfeiture unless written consent is received from the trademark owner.

When advised that the Grand Jewels bracelets had been detained, Rolex refused to consent to the importation, notwithstanding Grand Jewels' offer to remove the offending marks. Rather, Rolex contended that the imported bracelets bore counterfeit marks within the meaning of 19 USC §1526(e) and demanded that they be forfeited.

DeNardo again examined the designs on the imported bracelet clasps to determine formally whether they constituted counterfeits. He carefully compared those designs, element-by-element and as a whole,

with the crown design protected as Rolex's trademark filed with Customs. Because of the small size of the crowns and their elements, DeNardo used a jeweler's magnifying loupe in the course of his examination.

In a letter decision dated July 22, 1981, DeNardo ruled that the designs on the sample bracelets were not counterfeit trademarks. He concluded, therefore, that the detained goods need not be forfeited and could be lawfully imported after the infringing marks were removed or obliterated. A later examination of an authentic Rolex bracelet, supplied by Rolex, did not lead him to change his mind.

Upon Rolex's request for review, Darrell D. Kast, Chief Customs Entry, Licensing, and Restricted Merchandise Branch, affirmed DeNardo's decision. Kast reasoned that:

> Although the appearance of the mark used on the imported bracelet is very similar to that of the crown design applied to the Rolex bracelet, it can easily be distinguished from the drawing of the official "Crown Design" on the trademark registration. For example, we note that the spikes on the crown design on the sample bracelets submitted are not nearly as long or as tapered in appearance as they are in the official version of the "Crown Design' and that the spacing between the balls at the top of the spikes is minimal and not as clearly defined.
>
> Accordingly, we are of the opinion that the mark that appears on the imported [Grand Jewels] bracelets merely copies or simulates the genuine Rolex "Crown Design" trademark. While the mark in question is close enough in appearance to cause some confusion on the part of the average purchaser at retail as to the source of the bracelet, the infringement, in our opinion, does not amount to a "counterfeit trademark" violation, and the laws and regulations governing "counterfeit trademark" violations would not apply.

Rolex then brought suit in the Southern District of New York seeking a preliminary and permanent injunction that would require Customs to declare the bracelets counterfeit and therefore forfeited.

Following a trial on the merits, accelerated pursuant to Fed.R.Civ.P. 65(a)(2), Judge Broderick in an oral decision found that Rolex had standing to challenge Customs' determination that the Grand Jewels bracelets were not counterfeits, and that jurisdiction was available under the Mandamus Act, 28 U.S.C. §1361 (1976) and under the general federal question provision, 28 U.S.C. § 1331 (Supp. V 1981). On the merits, Judge Broderick ruled that Customs had erred as a matter of law in two respects in determining whether the Grand Jewels bracelets were counterfeits; it should have compared the designs on the accused bracelets with the marks on actual Rolex bracelets, rather than with the pen-and-ink drawing on the Rolex trademark registration certificate, and it should have examined the bracelets from the perspective of an average

purchaser rather than an expert. Applying those standards, Judge Broderick held that "the average buyer examining a bracelet carrying the infringing mark would, if he or she were familiar with plaintiff's mark, conclude that the infringing mark was in fact plaintiff's mark." He then entered judgment (1) determinating Customs' ruling to be erroneous, (2) declaring that the marks on the imported bracelets were counterfeit and that the bracelets should be forfeited in the absence of Rolex's consent, and (3) directing Customs to declare the marks counterfeit and to dispose of the merchandise.

Thereafter, Customs appealed to the United States Court of Appeals for the Second Circuit which exercised its jurisdiction under 28 U.S.C. §1292 (a)(1). The importer, Grand Jewels Inc., was granted leave to intervene, file a brief,

and argue orally.

The basis for jurisdiction in the Court of first instance, the U.S. District Court for the Southern District of New York, was a contested issue in the appeals court which ruled that the District Court had jurisdiction under 28 U.S.C. § 1331.

The Court of Appeals in its decision concluded that the Customs' interpretation and application of § 1526(e) was "arbitrary, capricious, and otherwise not in accordance with law" under 5 USC §706 (2)(A). The Court held that Rolex had standing and that the District Court had jursidiction to review Customs' final determination concerning the crown, that the District Court Judge correctly interpreted § 1526(e) to require (1) that the "counterfeit" question be determined by comparing the accused mark on the imported bracelets with the protected mark on

Rolex's own merchandise, and (2) that the comparison be made from the perspective of an average purchaser rather than an expert. The appeals court aslo found that the District Court Judge was correct in determining that the Grand Jewels bracelets were counterfeit under § 1526(e). The District Court decision was affirmed.

REASONS FOR ALLOWANCE OF WRIT

Rule 21.1(j)

The United States Court of Appeals for the Second Circuit, in its decision in this case stated:

> This case of first impression presents important questions concerning Congress's effort to protect domestic trademarks from foreign counterfeitors.

It is urged that this case concerns important questions of Federal Law which have not been, but should be, settled by the Supreme Court consistent with Supreme Court Rule 17.1 (c).

The statutory scheme which is at issue in this case was added by Amendment in 1978. That legislation contained the mandatory forfeiture aspects of the scheme which is called into issue in this case. The mandatory forfeiture provisions of the statute greatly affect importers to an increasing degree. The volume of trademarked imported goods which may

violate registrations, require that the statutory scheme, the definitions contained therein, and the penalties which may result, must be definite so as to give proper warning and guidance to importers of an increasing amount and variety of goods reaching this country's shores. These goods encompass not only bracelets as in this case, but extend to computers, articles of clothing, and a wide variety of other goods.

The mandatory forfeiture of goods penalties contained in the statutory scheme requires that questions of vagueness and indefiniteness be resolved by this Court due to the very significant and detrimental results which flow from the statutory scheme. The effect of the penalties are near criminal in nature but require no showing of knowledge or intent.

The result of the decisions below seem

to make insignificant the difference in treatment given to merely infringing articles and those deemed counterfeit. This seems inconsistent with the wording and intent of the statutory scheme.

The statute and regulations were misinterpreted incorrectly in each of the decisions of the Customs Service, according to the decisions in this case. The importer, being less of an expert than the Customs Service, could be expected to make no wiser interpretation. Having done so, the importer now must forfeit valuable goods because of the vagueness of the statutory scheme.

In Jordan v De George (1951), 341 US 223, the Court held that the test for determining whether a non-criminal statute is unconstitutionally vague is whether the language of the statute conveys sufficiently definite warning as to the

proscribed conduct when measured by common understanding and practices.

The Petitioner here believes the statute at issue does not pass muster and requires this Court to so rule.

Another important question of law at issue in this case is whether or not the owner of a possibly infringed mark has standing to seek review of Customs Service determinations regarding the registered mark.

This case also presents to the Court the opportunity to rule whether the Customs Service must change its standards and methods for determining mark infringement in circumstances similar to that being presented to this Court.

Respectfully submitted,

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APPENDIX

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

No. 651—August Term, 1982

(Argued January 24, 1983 Decided September 14, 1983)

Docket No. 82-6168

MONTRES ROLEX, S.A.,

Plaintiff-Appellee,

—against—

DENNIS SNYDER, REGIONAL COMMISIONER, UNITED STATES CUSTOMS SERVICE and UNITED STATES CUSTOMS SERVICE,

Defendants-Appellants,

GRAND JEWELS, INC.,

Intervenor.

Before:

OAKES, PRATT and WEIS*,

Circuit Judges.

* Hon. Joseph F. Weis, Jr., of the United States Court of Appeals for the Third Circuit, sitting by designation.

Appeal from a judgment of the United States District Court for the Southern District of New York, Vincent L. Broderick, *Judge*, declaring imported gold watch bracelets to be counterfeits and therefore subject to forfeiture under 19 U.S.C. § 1526(e), and directing defendant United States Customs Service to dispose of the merchandise.

Affirmed.

DAVID H. T. KANE, New York, New York (Siegrun D. Kane, Barbara A. Larsen, Kane, Dalsimer, Kane, Sullivan and Kurucz, New York, New York, of Counsel), *for Plaintiff-Appellee*.

JONATHAN A. LINDSEY, New York, New York, Assistant United States Attorney for the Southern District of New York (John S. Martin, Jr., United States Attorney for the Southern District of New York, Peter C. Salerno, Assistant United States Attorney, of Counsel), *for Defendants-Appellants*.

RUSSELL H. FALCONER, New York, New York (Doreen J. Leavens, Brumbaugh, Graves, Donohue & Raymond, New York, New York, of Counsel), *for Intervenor*.

PRATT, *Circuit Judge*:

This case of first impression presents important questions concerning Congress's effort to protect domestic trademarks from foreign counterfeiters. The major issues are (1) whether the definition of a "counterfeit" trademark, incorporated from the Lanham Act by § 211 of the Customs Procedural Reform and Simplification Act of 1978, Pub. L. No. 95-410, 92 Stat. 888, 903-04, 19 U.S.C. § 1526(e) (Supp. V 1981), should be applied from the standpoint of an average purchaser or an expert, and (2) whether the alleged counterfeit mark should be compared with the "registered mark" as the latter appears on actual merchandise or as it appears on a registration certificate filed with Customs. Adopting the average purchaser test and comparing the challenged mark with the registered mark imprinted on actual merchandise, Judge Broderick below ruled that the designs on a shipment of 18-karat gold watch bracelets imported by intervenor Grand Jewels, Inc. ("the importer") were counterfeits of plaintiff Montres Rolex, S.A.'s registered trademark. Accordingly, he ordered Customs to comply with the mandatory forfeiture provisions of § 1526(e). Because Judge Broderick's interpretation and application of § 1526(e) is fully consistent with its punitive and deterrent purposes, we affirm.

I. *Facts, Administrative Proceedings, and Decision Below.*

In early May 1981, a Customs import specialist at J.F.K. International Airport in New York detained a shipment of approximately 100 18-karat solid gold watch bracelets, each bearing a fan or crown-like design on the clasp. The bracelets were destined for Grand Jewels, Inc.,

a New York City retailer. Suspecting a possible violation of Rolex's trademark rights, the specialist forwarded samples of the bracelets to Joseph J. DeNardo, Assistant Chief of Customs' Imports Compliance Branch. Following standard operating procedures, DeNardo compared the designs on the bracelets' clasps with the drawing of the Rolex trademark on the registration certificate Rolex had filed with Customs pursuant to 19 C.F.R. § 133.1-.7. By letter dated May 12, 1981, DeNardo advised the importer that:

> Examination of two samples from the shipment reveals that they both bear a crown design which is considered to infringe on the registered and recorded "Crown Design" trademark owned by Montres Rolex S.A. in violation of the Trademark Law (15 U.S.C. § 1124).
>
> Accordingly, this merchandise is a prohibited importation and subject to seizure and forfeiture unless written consent is received from the trademark owner * * *.

When advised that the Grand Jewels bracelets had been detained, Rolex refused to consent to the importation, notwithstanding Grand Jewels' offer to remove the offending marks. Rather, Rolex contended that the imported bracelets bore counterfeit marks within the meaning of § 1526(e) and demanded that they be forfeited.

With the importer and the trademark owner thus at loggerheads, DeNardo again examined the designs on the surface of the imported bracelets' clasps to determine formally whether they constituted counterfeits. He carefully compared those designs, element-by-element and as a whole, with the crown design protected as Rolex's

trademark filed with Customs. Because of the minute size of the crowns and their elements, DeNardo used a jeweler's magnifying loupe in the course of his examination.

In a brief letter decision dated July 22, 1981, DeNardo ruled that the designs on the sample bracelets were not counterfeit trademarks. He concluded, therefore, that the detained goods need not be forfeited and could be lawfully imported after the infringing marks were removed or obliterated. A later examination of an authentic Rolex bracelet, supplied by Rolex, did not lead him to change his mind.

Upon Rolex's request for review, Darrell D. Kast, Chief of Customs' Entry, Licensing, and Restricted Merchandise Branch, affirmed DeNardo's decision. Kast reasoned that:

> Although the appearance of the mark used on the imported bracelet is very similar to that of the crown design applied to the Rolex bracelet, it can easily be distinguished from the drawing of the official "Crown Design" on the trademark registration. For example, we note that the spikes on the crown design on the sample bracelets submitted are not nearly as long or as tapered in appearance as they are in the official version of the "Crown Design" and that the spacing between the balls at the top of the spikes is minimal and not as clearly defined.
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> Accordingly, we are of the opinion that the mark that appears on the imported [Grand Jewels] bracelets merely copies or simulates the genuine Rolex "Crown Design" trademark. While the mark in question is close enough in appearance to cause some confusion on the part of the average purchaser at retail as to the source of the bracelet, the infringement, in our opinion, does not amount to a "coun-

terfeit trademark" violation, and the laws and regulations governing "counterfeit trademark" violations would not apply.

Rolex then brought this suit seeking a preliminary and permanent injunction that would require Customs to declare the bracelets counterfeit and therefore forfeited. Following a trial on the merits, accelerated pursuant to Red. R. Civ. P. 65(a)(2), Judge Broderick in an oral decision found that Rolex had standing to challenge Customs' determination that the Grand Jewels bracelets were not counterfeits, and that jurisdiction was available under the Mandamus Act, 28 U.S.C. § 1361 (1976) and under the general federal question provision, 28 U.S.C. § 1331 (Supp. V 1981). On the merits, Judge Broderick ruled that Customs had erred as a matter of law in two respects in determining whether the Grand Jewels bracelets were counterfeits: it should have compared the designs on the accused bracelets with the marks on actual Rolex bracelets, rather than with the pen-and-ink drawing on the Rolex trademark registration certificate, and it should have examined the bracelets from the perspective of an average purchaser rather than an expert. Applying the proper standards, Judge Broderick held that "the average buyer examining a bracelet carrying the infringing mark would, if he or she were familiar with plaintiff's mark, conclude that the infringing mark was in fact plaintiff's mark." He then entered judgment (1) determining Customs' ruling to be erroneous, (2) declaring that the marks on the imported bracelets were counterfeits and that the bracelets should be forfeited in the absence of Rolex's consent, and (3) directing Customs to declare the marks counterfeit and to dispose of the merchandise.

II. *The Statutory and Regulatory Scheme.*

The statute at the center of this dispute, 19 U.S.C. § 1526(e), provides as follows:

> Any such merchandise [manufactured abroad] bearing a counterfeit mark (within the meaning of section 1127 of Title 15) imported into the United States in violation of the provisions of section 1124 of Title 15, shall be seized and, in the absence of the written consent of the trademark owner, forfeited for violations of the customs laws. Upon seizure of such merchandise, the Secretary [of the Treasury] shall notify the owner of the trademark, and shall, after forfeiture, obliterate the trademark where feasible and dispose of the goods seized * * *

See also 19 C.F.R. § 133.23a(b),(c).

The statutory provisions to which § 1526(e) refers, 15 U.S.C. §§ 1124 and 1127, correspond to sections 42 and 45 of the Lanham Act. Section 1127, the Lanham Act's general definitional section, defines a "counterfeit" as "a spurious mark which is identical with, or substantially indistinguishable from, a registered mark." Section 1124 generally prohibits the importation of goods which "copy or simulate" a registered trademark. Under 19 C.F.R. § 133.21(a), a " 'copying or simulating' mark or name" is either "an actual counterfeit of the recorded mark" or "is one which so resembles it as to be likely to cause the public to associate the copying or simulating mark with the registered mark or name." The latter component of this definition tracks the language of that part of section 1127 which defines the term "colorable imitation" as "any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive." Similarly, 19 C.F.R. § 133.23a(a) tracks section 1127 by

defining a "counterfeit trademark" as "a spurious trademark which is identical with, or substantially indistinguishable from, a registered trademark."

Thus the customs laws and regulations create a two-tier classification scheme. The first category consists of marks which are merely infringements, judged by whether they are likely to cause the public to associate the copying mark with the recorded mark. In the second category are those marks which not only infringe but in addition are such close copies that they amount to counterfeits.

The significance of this distinction emerges from the consequences that are attached to the two categories. Counterfeits are treated harshly: absent written consent of the trademark owner they "shall be seized and * * * forfeited". 19 U.S.C. § 1526(e); 19 C.F.R. § 133.23a(b). On the other hand, merely infringing articles may be imported, provided that:

> [t]he objectionable mark is removed or obliterated prior to importation in such a manner as to be illegible and incapable of being reconstituted, for example by:
>
> (i) Grinding off imprinted trademarks wherever they appear;
>
> (ii) Removing and disposing of plates bearing a trademark or trade name

19 C.F.R. § 133.21(c)(4).

III. *Customs' Threshold Claims.*

On appeal, Customs has not pressed its procedural claims; it has simply remarked in a footnote in its brief that "the district court's conclusion[s] as to both mandamus jurisdiction and standing appear to be erroneous

* * *." Similarly, neither Rolex nor Grand Jewels briefed or argued these issues. Nevertheless, because "our jurisdiction to decide the case is implicated," *Village of Arlington Heights v. Metropolitan Housing Development Corp.*, 429 U.S. 252, 260 (1977), we are compelled to briefly address these novel questions.

A. *Standing.*

Customs argued below that its resolution of the counterfeit issue—even if erroneous—did not injure Rolex in a manner sufficient to confer standing under Article III of the Constitution. The crux of its argument was that the Grand Jewels bracelets had already been declared infringements and that the offending marks would therefore have to be obliterated before the merchandise was released. Under these circumstances, Customs contended, Rolex was not exposed to any actual or threatened harm, much less the type of "injury in fact" required by Article III.

We think that Customs takes too narrow a view of the consequences to Rolex of an adverse determination here. Commercial counterfeiting has reached epidemic proportions. *See generally* Rakoff & Wolff, *Commercial Counterfeiting and the Proposed Trademark Counterfeiting Act*, 20 Am. Crim. L. Rev. 145 (1982). As we previously witnessed in *Matter of Vuitton et Fils S.A.*, 606 F.2d 1 (2d Cir. 1979), the owners of trademarks on prestige items are particularly likely to be plagued by recurring counterfeit problems. Indeed, in this case Customs official DeNardo testified that the Grand Jewels bracelets were not the first batch of fake Rolex merchandise that Customs had intercepted. And Rolex's expert confirmed that Rolex encounters three or four counterfeits a week.

Given this predicament, there is more at stake for Rolex in this action than the fate of this particular shipment of Grand Jewels bracelets. A ruling that the designs on these bracelets were not counterfeits of Rolex's trademark, despite the fact that only an expert could distinguish between the two, would remove a major disincentive that might otherwise prevent counterfeiters from pirating Rolex's mark. Counterfeiters would be free to copy the Rolex crown with relative impunity, safe in the knowledge that if their merchandise was intercepted at Customs and deemed an infringement, they could still salvage most of their investment by selling the merchandise after the offending marks were removed.

Contrary to Customs' position below, this potential harm to Rolex is not so abstract or speculative as to deny Article III standing. As this court, sitting *en banc*, recognized in *City of Hartford v. Towns of Glastonbury*, 561 F.2d 1048, 1050 (2d Cir. 1977), *cert. denied*, 434 U.S. 1034 (1978) (quoting *Village of Arlington Heights v. Metropolitan Housing Development Corp.*, 429 U.S. 252 at 260-61 (citations omitted)):

> The essence of the standing question, in its constitutional dimension, "is whether the plaintiff has 'alleged such a personal stake in the outcome of the controversy' as to warrant *his* invocation of federal court jurisdiction and to justify exercise of the court's remedial powers on his behalf." . . . The plaintiff must show that he himself was injured by the challenged action of the defendant. The injury may be indirect . . . but the complaint must indicate that the injury is indeed fairly traceable to the defendant's acts or omissions.

In the present case, the challenged action of defendants places a uniquely personal interest of Rolex in jeopardy. And Rolex has established at least a substantial probability that it will in fact be harmed. In our view, this is sufficient to confer standing. *See Douglas Oil Co. v. Petrol Stops Northwest*, 441 U.S. 211, 218 n.8 (1979); *Ludlow Corp. v. SEC*, 604 F.2d 704, 706 (D.C. Cir. 1979); *cf. Warth v. Seldin*, 422 U.S. 490, 504 (1975).

Furthermore, "where a dispute is otherwise justiciable, the question whether the litigant is a 'proper party to request an adjudication of a particular issue,' * * * is one within the power of Congress to determine." *Sierra Club v. Morton*, 405 U.S. 727, 732 n.3 (1972) (citation omitted). Here, Congress has passed a statute that expressly requires notification of the trademark owner after counterfeit merchandise is seized. Together with the applicable regulations, *see* 19 C.F.R. § 133.23a, the statute contemplates that the trademark owner will play an active role in the ensuing administrative process. It is not unreasonable to assume that Congress also intended for the trademark owner to have some input into the initial administrative determination as to whether the detained merchandise was counterfeit. Indeed, that is apparently the way Customs interpreted the statute at the administrative level in this case, for it permitted Rolex actively to participate in the Customs proceedings. It would be anomalous to rule now that Rolex had no standing to pursue this appeal.

Finally, we cannot overlook that the result of accepting Customs' standing argument would be to render its decision unreviewable. In the absence of any explicit indication, we will not assume that Congress intended to entrust Customs with final disposition of substantial competing commercial interests through the exclusive administration of § 1526(e).

B. *Subject Matter Jurisdiction.*

Turning briefly to Customs' second threshold argument, we need not determine whether the district court had jurisdiction to adjudicate this dispute under the Mandamus Act, 28 U.S.C. § 1361. While the district judge did find that mandamus jurisdiction was appropriate, he also found that the court had general federal question jurisdiction under 28 U.S.C. § 1331, and this latter ruling is unassailable. Kast's administrative affirmance of DeNardo's initial decision unquestionably qualified as reviewable "final agency action" under 5 U.S.C. § 704 (1982), since Rolex had exhausted its administrative remedies. And the district court clearly had jurisdiction to review Rolex's challenge to Kast's final determination under § 1331 as an action arising under § 1526(e).

Further, to the extent that Rolex sought mandatory relief, it was well within the district court's traditional equitable powers to award it in an action based on § 1331. Any doubts as to whether these powers may be exercised in this context are laid to rest by 5 U.S.C. § 703 (1982), which provides that a court reviewing agency action may issue "writs of prohibitory or mandatory injunction * * *".

Thus, mandamus jurisdiction, if available, would be superfluous. *See* 4 K. Davis, *Administrative Law Treatise* §§ 23:8-23:14 (2d ed. 1983). We therefore do not reach the academic question of whether, in the circumstances present here, § 1361 might be an appropriate vehicle for challenging Customs' decision.

IV. *The Merits.*

We turn, finally, to the substantive issues presented on this appeal. The standard of review here, as it was in the

district court, is whether Customs' determination that the Grand Jewels bracelets were not counterfeits within the meaning of § 1526(e) was "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law". 5 U.S.C. § 706(2)(A) (1982).

A. *Average Purchaser or Expert?*

The central disagreement dividing the parties on appeal concerns the standard that should be applied in determining whether the marks on the Grand Jewels bracelets bear a "counterfeit mark" under § 1526(e). Customs contends that only an expert can determine whether the bracelets are "identical with or substantially indistinguishable from" Rolex's mark. On the other hand, Rolex argues, Grand Jewels concedes, and Judge Broderick below held, that this determination should be made from the standpoint of an average purchaser.

Neither § 1526(e) itself, the applicable regulations, nor prior case law sheds any light on this question. As we earlier indicated, the statute and the regulations together incorporate the Lanham Act's definitional distinction between "counterfeits" and those "colorable imitations" that merely infringe a protected mark. Unlike the customs laws and regulations, however, the Lanham Act does not impose different penalties for these two types of violations. As a result, courts deciding cases directly under the Lanham Act have never had to wrestle with this distinction. Thus, while it is well settled that whether an article is an infringement, *i.e.*, sufficiently similar to cause public confusion, must be determined from the perspective of an average consumer, *see, e.g.*, *Electronic Communications, Inc. v. Electronic Components for Industry Co.*, 443 F.2d 487, 492 (8th Cir.), *cert. denied*, 404 U.S. 833 (1971); *Maternally Yours, Inc. v. Your Maternity*

Shop, Inc., 234 F.2d 538, 542 (2d Cir. 1956), there is no similar body of law construing the definition of "counterfeit".

Nor is there any legislative history directly on point. The Customs Procedural Reform and Simplification Act of 1978 was a multi-faceted measure which effected major substantive and procedural changes in the customs laws. Section 211, codified at 19 U.S.C. § 1526(e), represented only one of many changes, and the precise meaning of the term "counterfeit", as used in the amendment, did not receive express consideration in any of the written reports that were generated, in any of the hearings that were conducted, or in any floor debate that took place.

On the other hand, the general thrust of § 1526(e) is easy to discern from the context, as opposed to the express recitals, of the legislative history. Prior to 1978, imported goods caught bearing a counterfeit mark could be admitted into this country after removal of the offending mark, or they could be exported to another country. 19 U.S.C. § 1526; 19 C.F.R. § 133.21(c)(1)-(7); *see* Walker, *A Program To Combat International Commercial Counterfeiting*, 70 Trade-Mark Rep. 117, 125-26 (1980). Counterfeiters therefore ran very little risk, since even if their goods were intercepted by Customs, they could still salvage, perhaps even profit from, their investment.

Section 211 was not included in the version of the Customs Procedural Reform and Simplification Act that was originally introduced in the House of Representatives. It was added by the Senate Finance Committee, apparently at the behest of a coalition of European and American companies which had mounted an international lobbying effort to combat commercial counterfeiting. *See* Walker, *supra*, 70 Trade-Mark Rep. at 126. One of the reasons for this amendment was expressed in the Senate Finance Committee report:

> The committee believes that there is now no effective sanction against violations of section 42 [42 U.S.C. § 1124] as it relates to merchandise which simulates or copies a registered trademark. Under present law, Customs may immediately sell goods bearing a counterfeit trademark after forfeiture. Such a disposition puts the counterfeit goods in competition with legitimate trademark goods.

S. Rep. No. 778, 95th Cong., 2d Sess. 34, *reprinted in* 1978 U.S. Code Cong. & Ad. News 2211, 2245. This was expanded upon in the House Conference report:

> [T]he amendment is intended solely to strengthen the remedies available to prevent the importation of merchandise bearing [a counterfeit] mark and to require the obliteration of the counterfeit trademark where feasible in all cases before disposition of the merchandise by the Customs Service.

H. R. Rep. No. 1517, 95th Cong. 2d Sess. 17, *reprinted in* 1978 U.S. Code Cong. & Ad. News 2249, 2259.

As even the importer in this case is forced to concede, these references demonstrate that § 1526(e) "represents a specific effort by Congress to stiffen the penalties for and to deter the use of infringing marks which amount to 'counterfeits'." In our view, these related purposes will best be furthered by adopting the "average purchaser" test applied by Judge Broderick below. The alternative test proposed by the government would be not nearly as strict, since an expert, aided by a loupe or a microscope, could readily discern differences between allegedly counterfeit and registered marks that would be unnoticed or even undetectable by the average purchaser. Indeed, one of the distinguishing characteristics of an expert is his ability to see differences that the rest of us do not, and,

once the expert sees a difference between the imported object and the registered mark it is unlikely he could find them to be "substantially indistinguishable".

Consequently, the "expert" test would tend to frustrate the central purpose underlying the amendment: to provide an "effective sanction" against merchandise which "simulates or copies a registered trademark." S. Rep. No. 778, *supra*. In the absence of any more explicit congressional guidance, we believe that the proper course is to adopt the test that ensures the efficacy of the sanction added by the amendment. While it is true that forfeiture of merchandise is a severe penalty, Congress clearly intended such severity to be inflicted upon counterfeiters.

Customs argues that determining from the perspective of an average purchaser both whether an allegedly offending mark constitutes an infringement and whether it constitutes a counterfeit will "utterly [destroy] the distinction carefully drawn by the statute." We disagree. Incorporating the average purchaser test into both tiers of the statutory scheme will only require that the two very different statutory standards be applied from the same standpoint.

We recognize that in a case like the one at bar, the difference between these two standards may be more theoretical than real, *i.e.*, the challenged mark, when viewed from the perspective of the average purchaser, would not be "likely to cause confusion" unless it was "substantially indistinguishable" from the registered mark. But this will not always be so. We are aware of at least three Customs rulings in which different results would likely follow under the two standards.

For example, in *In re Louis Vuitton*, (C.S.D. 80-97, August 31, 1979), both the legitimate and the bogus merchandise bore marks comprised of two capital letters

superimposed one upon the other, surrounded by a fleur-de-lis pattern. Customs ruled that the use of a superimposed "P" rather than an "L" over a "V" created a substantial likelihood of customer confusion. However, it is doubtful that the average purchaser would have viewed these marks as substantially indistinguishable.

The same is true of *In re Amazonas*, (C.S.D. 80-39, July 17, 1979). At issue there was the use of the name "Amazonas" as opposed to "Amazon" on shoe heels and soles. While Customs found that these two marks were similar enough to cause confusion, it could not be seriously contended that the average consumer would have found them substantially indistinguishable.

Similarly, in *In re Bulova Watch Co.*, (C.S.D. 80-77, 14 Cus. Bull. No. 30, July 23, 1980), which involved the use of the name "Bolivia" as opposed to "Bulova", Customs found an infringement. Once again, however, it is unlikely that an average purchaser would have found the marks on the two watches to be substantially indistinguishable.

These cases demonstrate that Judge Broderick's interpretation of the statutory scheme does retain the distinction that Congress created. While the two standards may converge in certain applications, that possibility is hardly a sufficient justification for construing § 1526(e) in a manner that would undermine its principal objective of severely punishing counterfeiting activities.

B. *The Registered Mark as It Appears on Actual Merchandise or as It Appears on the Registration Certificate?*

Customs next argues that Judge Broderick misconstrued the statutory scheme by comparing the designs on the Grand Jewels bracelets with the Rolex crown as it

appears on actual merchandise. Customs emphasizes that § 1526(e) requires it to protect only a "registered" mark and contends that Rolex must bear the risk of deviating from that mark. Further, Customs submits that Judge Broderick's interpretation of § 1526(e) would create additional administrative burdens which Congress deliberately declined to impose upon Customs when it required in § 1526(e) that Customs contact the trademark holder only after it determined that a counterfeit mark had been used.

We are not persuaded by these arguments. To begin with, the "deviation" that serves as the factual predicate for Customs' position is slight and inconsequential. Whenever a two-dimensional paper facsimile of a mark like the Rolex crown is compared with the three-dimensional mark fabricated on actual merchandise, some differences will be detectable. To allow such differences to undercut the protection Congress intended to grant the trademark owner would be absurd. *Cf. Ilco Corp. v. Ideal Security Hardware Corp.*, 527 F.2d 1221 (C.C.P.A. 1976) (a mark may be modified in such a fashion as to retain its trademark impact and symbolize a single and continuing commercial impression; a change which does not alter the distinctive characteristics of a mark represents a continuity of trademark rights).

Furthermore, the narrow construction of § 1526(e) urged by Customs is inconsistent with the commercial realities of the counterfeit trademark trade. It seems safe to assume that counterfeiters copy actual merchandise, not registration certificates. In this case, for example, the designs on the Grand Jewels bracelets more closely resemble the Rolex mark as it appears on actual merchandise than they do the registered Rolex mark. Thus, just as the protected mark on actual merchandise is unlikely to be identical with the two-dimensional facsimile of the mark

recorded on the registration certificate, so, too, an infringing mark would be unlikely to be substantially indistinguishable from that facsimile. As a result, if Customs' exclusive focus on the registered mark were to prevail, infringing merchandise with three-dimensional marks could rarely, if ever, be deemed counterfeit. Given the punitive and deterrent purposes underlying § 1526(e), we cannot acquiesce in so narrow an interpretation.

Nor do we see much merit to Customs' concern with the administrative burdens that Judge Broderick's interpretation of the statute would impose. If Customs' experience in this case is any indication, there will be no problem at all obtaining samples of the trademark owner's actual merchandise for purposes of comparison. We see no reason why a trademark owner would not eagerly cooperate with Customs in this regard, and even if the owner failed to do so after receiving notice of the seizure, Customs could still make its determination based on the mark as registered.

C. *"Counterfeit" or "Colorable Imitation"?*

Applying the standards we have indicated are appropriate, we have little difficulty concluding that Judge Broderick properly determined that the Grand Jewels bracelets were counterfeits. We examined the actual bracelets at oral argument and found the Grand Jewels samples to be the spitting image of the Rolex merchandise. An average purchaser would surely find the real and fake bracelets to be substantially indistinguishable. We do not understand the government to have argued otherwise on appeal.

V. *Conclusion*

For all these reasons we must conclude that Customs' interpretation and application of § 1526(e) in this case was "arbitrary, capricious, and otherwise not in accordance with law" under 5 U.S.C. § 706(2)(A). We are, of course, sensitive to

> the deference to be given an agency administering a statute, particularly "when the administrative practice at stake 'involves a contemporaneous construction of a statute by [those] charged with the responsibility of setting its machinery in motion, of making the parts work efficiently and smoothly while they are yet untried and new.' "

Connecticut Fund for the Environment v. EPA, 672 F.2d 998, 1010 (2d Cir. 1982) (quoting *Power Reactor Development Co. v. International Union of Electrical, Radio & Machine Workers*, 367 U.S. 396, 408 (1961)). That deference, however, is unwarranted when the administering agency's interpretation would cripple a statutory scheme in its inception. Customs' position in this case, if accepted, would have just that effect. Its standing argument would preclude an aggrieved trademark owner from seeking judicial review at all. And its substantive claims would minimize the chances of any merchandise being declared counterfeit.

We hold that Rolex had standing and the district court had jurisdiction to review Customs' final determination that the crown on the accused bracelets was not a "counterfeit". We further hold that Judge Broderick correctly interpreted § 1526(e) to require in this case (1) that the "counterfeit" question be determined by comparing the accused mark on the imported bracelets with the protected mark on Rolex's own merchandise, and (2) that the

comparison be made from the perspective of an average purchaser rather than an expert. Finally, we hold that Judge Broderick properly determined that the Grand Jewels bracelets were counterfeits under § 1526(e).

Affirmed.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
----------x
MONTRES ROLEX, S.A.,
Plaintiff,

-against- 82 Civ. 1692

DENNIS SNYDER, Regional Commissioner United States Customs, and United States Customs Service,
Defendants.
----------x

New York, N.Y.
April 7, 1982

B e f o r e:

HON. VINCENT L. BRODERICK,
District Judge

Appearances:

KANE, DALSIMER, KANE, SULLIVAN and KURUCZ, Esqs.
Attorneys for Plaintiff
BY DAVID H. T. KANE, Esq.
SIEGRUN D. KANE, Esq.
BARBARA LARSEN, Esq.

JOHN S. MARTIN, JR., Esq.
United States Attorney for the Southern District of New York
Attorney for Defendants
BY: NANCY FRIEDMAN, Esq.
JONATHAN LINDSEY, Esq.
Assistant United States Attorneys

(Oral Decision of Judge Broderick:)

THE COURT: I find that this court has jurisdiction of this matter pursuant to 28 U.S.C. 1331 and 28 U.S.C. 1361.

Counsel have agreed that the application for a preliminary injunction and the plenary proceedings are to be consolidated. That motion is granted, and the hearing which has been had was both a hearing on the preliminary injunction and a plenary trial, pursuant to counsel's stipulation, and the findings that follow are therefore a final decision on the merits.

The following constitute my findings.

The plaintiff, a manufacturer of high-quality watches, has been issued a United States trademark for its mark, a crown design, Registration No. 657766. This mark was originally issued on

January 28, 1958, and has since become incontestable. This mark was registered with the United States Customs Service pursuant to 15 U.S.C. 1124 in, I believe, 1961. In 1981, approximately 100 gold bracelets, which were being imported into this country, were seized by Customs with a crown design mark on those bracelets. This was Entry No. 81-508811.

On May 12, 1981, Joseph DeNardo, of the Import Compliance Branch of the Customs Service, notified the importer that the mark on those bracelets infringed the trademark of plaintiff and that the bracelets were subject to seizure and forfeiture absent consent by the plaintiff. No consent was forthcoming. Mr. DeNardo, on behalf of the Customs Service, then held that the mark or design on those bracelets infringed upon plaintiff's mark but was

not a counterfeit as that is defined in 19 U.S.C. 1526(e), which applies the definition of counterfeit contained in the Lanham Act, 15 U.S.C. 1127.

The plaintiff requested review of the administration decision within the Customs Service. There was such a review, and the Customs Service adhered to the determination by Mr. DeNardo that the mark on the imported bracelets infringed plaintiff's mark but did not counterfeit plaintiff's mark.

The plaintiff has exhausted its administrative remedies within the Customs Service and seeks here that the Customs Service be mandamused to declare the imported bracelets containing the infringing mark forfeited as counterfeit. Alternatively I understand that plaintiff is seeking judicial review of an administrative determination under

the Administrative Procedure Act on the grounds that that determination was clearly erroneous.

I find that the determination by the Customs Service that the marks which appear on the imported bracelets infringed the Rolex mark but were not counterfeit and hence not subject to forfeiture was clearly erroneous. I find that the marks on the imported bracelets were counterfeits of the trademark of plaintiff; that absent the consent of plaintiff, they are subject to forfeit; that plaintiff has not consented, and that they should be forfeited, and I direct that the Customs Service declare those mark counterfeit and follow the provisions of 19 U.S.C. 1526(e) in disposing of the seized merchandise. I also direct that there be a stay of this

order pending any appeal.

My findings are based on the materials contained in the papers that were submitted in connection with the application for preliminary injunction, on the exhibits which were submitted in the course of this proceeding, including the testimony by deposition of Mr. Lorenz.

I find further that Customs Service, in carrying out duties which are prescribed by statute, was performing in good faith and was in fact diligent in following the statute. What is at issue in this case is the proper interpretation of the word "counterfeit" as it is used in 19 U.S.C. 1526(e) with reference over to 15 U.S.C. 1127.

The Customs Service essentially acted through Mr. DeNardo. Mr. DeNardo applied

the standards of the average purchaser in determining that the mark on the imported braclets infringed plaintiff's mark. I find he was correct in applying that standard and in so finding. However, in attempting to determine whether or not the mark on the imported bracelets was a counterfeit of plaintiff's mark, he advisedly did not apply the standards of the average purchaser but applied instead the standards of an expert, to wit, himself, in determining whether or not the mark was, on the one hand, a counterfeit or, on the other hand, an infringement which was something less than counterfeit. In doing this, he used the tools of the expert, he studied the infringing bracelet with a loupe, and he compared the marks on those bracelets to the printed trademark which was on file with the Customs Service.

I find that this was not the appropriate standard to apply. The clear purpose of the statutory amendment of 1526(e) in 1978 was to protect the public and to protect domestic trademark owners by providing a severe penalty with respect to importations bearing marks which could be mistaken or were likely to be mistaken for the marks of registered domestic owners.

Mr. DeNardo told us in the course of the hearing that as a matter of routine he does not examine a domestic mark in application on a product, and it has been explained in the course of this proceeding, either in the hearing itself or in some of the written documentation that has been supplied, that this policy of not in normal course inspecting a domestic mark in application is a policy

predicated on logistics and on expense. The mark is available and on file. The domestic mark in application -- and by "in application" I mean on a product -- must either be sought out by the Customs Service or must be supplied to the Customs Service by the domestic owner or its counsel.

In this case, after the initial determination of infringement, Mr. DeNardo did receive exemplars of the domestic mark in application from plaintiff's counsel and he did compare those marks in application to the infringing marks, but the essential analysis upon which he predicated his finding that the infringing marks were not counterfiet entailed a comparison of those infringing marks with the printed trademark on file with the Customs

Service.

The average person examining the mark on the seized bracelets and the mark on plaintiff's bracelets -- and here I compare Exhibits 1 and 2, which are seized bracelets, with Exhibits 3 and 4, which are braclets of the plaintiff bearing the plaintiff's mark -- the average person, I say, viewing the marks on these bracelets would be hard put to distinguish between them.

I find that they are substantially identical. More to the point, I find that the average buyer examining a bracelet carrying the infringing mark would, if he or she were familiar with plaintiff's mark, conclude that the infringing mark was in fact plantiff's mark.

I find nothing in either the statute

itself -- and here I refer to 19 U.S.C. 1526(e) -- or in the legistlative history related to the enactment of that statute which suggests that a different standard is to be applied in determining whether a mark on an imported product infringes on the one hand or is counterfeit on the other.

In my judgment the same criteria must be applied in both cases. If the Customs Service had parsed plaintiff's mark in application in comparison to the trademark on paper which was on file with the Customs Service, it is inevitable that a litany of distinctions would have been derived which is comparable to the distinictions which Mr. De Nardo recited as existing between the mark on the imported bracelets, on the one hand, as compared to the printed trademark, on the

other.

The purpose of the law -- 19 U.S.C. 1526(e) -- is to protect the public from imitations and it is to protect domestic trademark owners from infringment of their trademark. Forfeiture is an extreme sanction. In enacting that sanction, Congress did not suggest that its extremity required or even permitted different criteria to be used in determining whether there was counterfeiting than were to be used in determining whether there was infringement. The Custom Service does not have the right to take it upon itself to establish such different criteria.

So ordered.
April 8, 1982.

DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE
NEW YORK, N.Y.

July 22, 1981

REFER TO:
TMK-3 O:C:I JDN
E-#81-508811
299

Israel & Krasner
50 East 42nd Street
New York, N.Y. 10017

Attention: Arthur J. Israel, Esq.

Gentlemen:

This is in reply to your letter of June 8, 1981, pertaining to a shipment of gold watch bracelets offered for importation by your client, Grand Jewel Inc., which bear a design considered to infringe on the registered and recorded "Crown Design" trademark owned by Montres Rolex S.A. in violation of the Trademark Law (15 U.S.C. 1124). You request that your client be permitted to either import this merchandise after obliteration of the infringing mark or to export it.

Since it is our opinion that the infringing mark on the bracelets is not a counterfeit trademark as defined in Section 133.23a, Customs Regulations (19 CFR 133.23a), your request to obliterate the mark is approved. The objectionable mark must be removed or obliterated in such a manner as to be illegible and incapable of being reconstituted, therefore, you are requested to advise us how your client proposes to perform the obliteration so that we may determine if it is an acceptable method.

Your alternative request to export these watch bracelets is denied.

Sincerely,

(signed)
Joseph J. DeNardo
Asst. Chief Imports Compliance Branch

DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE
NEW YORK, N.Y.

July 29, 1981

REFER TO:
TMK-3 O:C:I JDN
E-#81-508811
313

Israel & Krasner
50 East 42nd Street
New York, N.Y. 10017

Attention: Arthur J. Israel, Esq.

Gentlemen:

Our letter of July 22, 1981, approved your request, made on behalf of your client, Grand Jewel, Inc., to obliterate the design on a shipment of gold watch bracelets covered by Entry No. 81-508811, which is considered to infringe on the registered and recorded "Crown Design" trademark owned by Montres Rolex S.A., in violation of the Trademark Law (15 U.S.C. 1124).

This approval was based on our opinion that the infringing mark on the bracelets

did not constitute a counterfeit trademark as defined in Section 133.23a, Customs Regulations (19 CFR 133.23a).

Kane, Dalsimer, Kane, Sullivan and Kurucz, attorneys for the trademark owner, have appealed our decision in this matter and have indicated an intent to submit appropriate materials in support of their position. In view of the foregoing, you may also submit any evidence, legal briefs, or other pertinent material to substantiate your contention that the infringing design is a mere simulation as stated in your letter of June 8, 1981.

All submitted materials, plus copies of all correspondence and samples of the imported bracelets will be forwarded to our Headquarters office on August 31, 1981, for review and decision of the

counterfeit questions. Consequently, all actions with regard to obliteration of the infringing mark must necessarily be suspended until a determination has been made by Headquarters.

Sincerely,

(signed)
Joseph J. DeNardo
Asst. Chief Imports Compliance Branch

DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE
WASHINGTON

FEB 01 1982

REFER TO
TMK-3-CO:R:E:E
717516 SO

Joseph J. DeNardo, Asst. Chief
Imports Compliance Branch
U.S. Customs Service, Region II
6 World Trade Center
New York, New York 10048

Dear Mr. DeNardo:

This is in response to your memorandum of September 1, 1981, concerning the importation at John F. Kennedy International Airport of one hundred (100) 18k gold watch bracelets bearing a crown design which infringes the registered "Crown Design" trademark owned by Montres Rolex S.A. (Rolex Uhren Ag.), (Rolex Watch Co. Ltd.), a Swiss corporation, which has been recorded with Customs for import protection. The

shipment was detained and the importer sought consent of the trademark owner, pursuant to Section 133.21(c)(6) of the Customs Regulations (19 CFR 133.21(c)(6)), to the importation of articles otherwise subject to trademark restrictions.

The attorneys for Rolex refused to permit the importation and submitted a letter to your office on August 31, 1981, taking a position that the unauthorized use of a mark resembling the Rolex "Crown Design" amounts to a "counterfeit trademark" violation, and that the imported merchandise should be disposed of under the regulations applicable to articles bearing a counterfeit trademark (19 CFR 133.23a and 133.52(c)). Under these regulations, the offending mark could not be removed or obliterated and the articles entered into the commerce

of the United States unless the trademark owner consented to this or some other appropriate disposition.

The attorneys for the importer also submitted a letter to your office dated August 31, 1981, containing argument that the importer's use of the crown design on the clasp of the imported watch bracelet did not constitute a "counterfeit trademark" violation and that the goods could be released if the offending marks are removed. The matter was then submitted to Customs Headquarters for a decision on the rights of the parties under the above circumstances. Samples of the imported watch bracelets were also submitted for our consideration.

Section 42 of the Act of July 5, 1946 (commonly referred to as the Lanham Act, 60 Stat. 440, 15 U.S.C. 1224) prohibits the importation into the United States of

merchandise which shall copy or simulate a registered trademark of any foreign manufacturer or trader who is entitled under the provisions of United States and any foreign country to advantages afforded by law to citizens of the United States in respect to trademarks, provided, a copy of such trademark registration is filed with the Secretary of the Treasury and recorded in the manner provided by regulations (19 CFR 133.1 - 133.7). Infringement of federally registered marks is governed by the test of whether defendant's use of a similar (or identical) mark is likely to cause confusion, or to cause mistake, or to deceive.

The Customs Procedural Reform Act of 1978, Public Law 94-410, contains a new section 19 U.S.C. 1526(e) which provides a different disposition for seized and

forfeited merchandise "bearing a counterfeit mark." There is a stringent definition in the law and regulations for the term "counterfeit" (15 U.S.C. 1127, 19 CFR 133.23a(a)). The term "counterfeit" is defined as, "A spurious mark which is identical with, or substantially indistinguishable from, a registered mark." This narrow definition does not include genuine marks or marks that are not substantially identical with, but merely copy or simulate the name of a manufacturer or trader.

Prior to the enactment of PL 95-410, the importer of merchandise bearing marks which infringe the rights of the trademark owner had various options open to him concerning the disposition of the merchandise, such as sale in the United States after obliteration of the trademark, or exportation or destruction

of the merchandise under Customs supervision. Under the new procedures applicable to articles bearing a "counterfeit trademark," the trademark owner is notified of the arrival of the articles, and unless the trademark owner consents to some alternate disposition, the merchandise is seized and forfeited to the government. Following forfeiture, the goods are disposed of, after obliteration of the trademark by (1) delivery to Federal, State and local government agencies which have a need for them, (2) gift to charitable institutions, (3) sale at public auction after a year, or (4) destruction if the articles are unsafe or a health hazard. In the view of the harsh penalty (loss of merchandise) which may be imposed under the "counterfeit trademark" law and regulations, the definition of the term "counterfeit" is strictly construed.

We do not concur with the opinion of the attorney for the importer, that the "counterfeit trademark" law and regulations would not apply under any circumstances to imported articles bearing spurious marks identical with or substantially indistinguishable from a recorded trademark which are applied to articles made by the trademark owner, but which are not specified in the trademark registration as being within the class of goods protectd (sic) by that trademark registration, or articles which, while not actually made by the trademark owner, are within the product mix which the average consumer might expect to be produced by that firm. In the "KONICA" trademark case (C.S.D. 79-410), we held

that the "counterfeit trademark" law and regulations applied to imported watches bearing the counterfeit mark "KONICA," which was determined to be an infringement of the "KONICA" trademark registration for cameras.

However, in this case we concur with your opinion and the opinion of the attorney for the importer, that the use of the crown design on the imported watch bracelet would not amount to a "counterfeit trademark" violation. We note that the crown design in question protrudes from the surface of the bracelet on the under side of the bracelet and its small size, in our opinion, reduces the likelihood of confusion.

Furthermore, the attorney for the trademark owner explained that the crown design used on the Rolex bracelet is

different from the official pen and ink drawing of the "Crown Design" trademark that appears on the trademark registration, because of the difficulty of capturing the fine details of a pen and ink drawing on a metallic (gold) object. Although the appearance of the mark used on the imported bracelet is very similar to that of the crown design applied to the Rolex bracelet, it can easily be distinguished from the drawing of the official "Crown Design" on the trademark registration. For example, we note that the spikes on the crown design on the sample bracelets submitted are not nearly as long or as tapered in appearance as they are in the official version of the "Crown Design," and that the spacing between the balls at the top of the spikes is minimal and not as clearly defined.

Accordingly, we are of the opinion that the mark that appears on the imported bracelets merely copies or simulates the genuine Rolex "Crown Design" trademark. While the mark in question is close enough in appearance to cause some confusion on the part of the average purchaser at retail as to the source of the bracelet, the infringement, in our opinion, does not amount to a "counterfeit trademark" violation, and the laws and regulations governing "counterfeit trademark" violations would not apply. Therefore, pursuant to 19 CFR 133.21(c)(4), the importer would have the option of removing the objectionable mark and entering the merchandise into the commerce of the United States.

However, the attorney for the trademark owner, in his letter to you of August 31, 1981, has requested, in the

event the Customs Service determines that the infringement does not amount to a "counterfeit trademark" violation, that they be afforded reasonable notice of any intention by the Customs Service to release the imported bracelets, so that they would have an opportunity to seek review of this ruling in the United States District Court by writ of mandamus or whatever other means may be appropriate. Accordingly, we recommend that you delay the release of the imported bracelets (no longer than 30 days) so that the trademark owner may have an opportunity to prepare and file appropriate documents with the Court. In the event a prompt hearing is scheduled by the Court on the issue of whether or not it is lawful for Customs to release the bracelets, a further delay in their release may be warranted.

A copy of this decision may be furnished to all interested parties. Your samples are being returned under separate cover.

Sincerely,

(signed)

Darrell D. Kast
Chief, Entry, Licensing and
Restricted Merchandise Branch

DEPARTMENT OF THE TREASURY
U.S. CUSTOMS SERVICE
NEW YORK, N.Y.

February 4, 1982

REFER TO:
TMK-3 O:C:I JDN
E-#81-508811
72

Israel & Krasner
50 East 42nd Street
New York, N.Y. 10017

Attention: Arthur J. Israel, Esq.

Gentlemen:

Please refer to previous correspondence pertaining to an importation of watch bracelets by your client, Grand Jewel, Inc., which bear a design considered to infringe the registered and recorded "Crown Design" trademark owned by Montres Rolex S.A.

Since Kane, Dalsimer, Kane, Sullivan & Kurucz, attorneys for the trademark owner, appealed our opinion that the infringing mark on the bracelets does not constitute a counterfeit trademark as

defined in Section 133.23a, Customs Regulations (19 CFR 133.23a,) copies of all correspondence conducted with both parties and two samples of the imported bracelets were forwarded to our Headquarters office for a decision in this matter.

We have now received a reply from Headquarters concurring with our opinion that the use of the design on the imported article would not amount to a "counterfeit trademark" violation and a copy is enclosed herewith for your information.

In accordance with the recommendation made therein, however, these bracelets will not be released to your client for obliteration of the infringing mark for at least 30 days to provide the trademark owner's attorneys with an opportunity to seek a review of this ruling. If the

matter is pursued further in the United States District Court or by other appropriate means, a further delay in the release of this merchandise may become necessary.

Sincerely,

(signed)

Joseph J. DeNardo
Asst. Chief Imports Compliance Branch